

103^D CONGRESS
1ST SESSION

H. R. 2453

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage the conversion of the defense industry to commercial endeavors, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1993

Mr. MACHTLEY introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage the conversion of the defense industry to commercial endeavors, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TAX CREDIT FOR HIRING LONG-TERM UNEM-**
4 **PLOYED DEFENSE AND SHIPBUILDING IN-**
5 **DUSTRY WORKERS.**

6 (a) ALLOWANCE OF CREDIT.—Paragraph (1) of sec-
7 tion 51(d) of the Internal Revenue Code of 1986 (defining
8 members of targeted groups) is amended by striking “or”

1 at the end of subparagraph (I), by striking the period at
2 the end of subparagraph (J) and inserting “, or”, and by
3 adding at the end the following new subparagraph:

4 “(K) a long-term unemployed defense or ship-
5 building industry worker.”

6 (b) LONG-TERM UNEMPLOYED DEFENSE OR SHIP-
7 BUILDING INDUSTRY WORKER.—Section 51(d) of such
8 Code is amended by adding at the end thereof the follow-
9 ing new paragraph:

10 “(17) LONG-TERM UNEMPLOYED DEFENSE OR
11 SHIPBUILDING INDUSTRY WORKER.—

12 “(A) IN GENERAL.—The term ‘long-term
13 unemployed defense or shipbuilding industry
14 worker’ means an individual certified by the
15 designated local agency as having been em-
16 ployed in the defense or shipbuilding industry
17 and—

18 “(i) who has been receiving unemploy-
19 ment compensation at all times during the
20 6-month period ending with the last day of
21 the month preceding the hiring date, or

22 “(ii) who—

23 “(I) was receiving unemployment
24 compensation but exhausted all rights
25 to such compensation, and

1 “(II) has remained unemployed
2 during the period beginning on the
3 date such rights were exhausted and
4 ending on the day before the hiring
5 date.

6 “(B) EMPLOYMENT IN DEFENSE OR SHIP-
7 BUILDING INDUSTRY.—For purposes of sub-
8 paragraph (A), an individual shall be treated as
9 employed—

10 “(i) in the defense industry if such in-
11 dividual’s services were performed pursu-
12 ant to any defense contract (as defined in
13 section 48(c)(4)), and

14 “(ii) in the shipbuilding industry if
15 such individual’s services were performed
16 pursuant to any contract for the construc-
17 tion or reconstruction of any ship or any
18 subcontract in connection with such con-
19 struction or reconstruction.

20 “(C) UNEMPLOYMENT COMPENSATION.—
21 For purposes of this paragraph, the term ‘un-
22 employment compensation’ has the meaning
23 given such term by section 85(b).”

24 (c) CERTAIN INDIVIDUALS NOT ELIGIBLE.—Section
25 51(i) of such Code (relating to certain individuals ineli-

1 gible) is amended by adding at the end the following new
2 paragraph:

3 “(4) SPECIAL RULES FOR LONG-TERM UNEM-
4 PLOYED DEFENSE AND SHIPBUILDING INDUSTRY
5 WORKERS.—No wages shall be taken into account
6 under subsection (a) with respect to any long-term
7 unemployed defense or shipbuilding industry worker
8 (as defined in subsection (d)(17)) unless—

9 “(A) notwithstanding paragraph (3), the
10 individual is employed by the employer at least
11 120 days, and

12 “(B) the employer certifies on the return
13 of tax for the taxable year for which credit is
14 claimed that—

15 “(i) the individual was hired after the
16 employer took reasonable actions to specifi-
17 cally recruit long-term unemployed defense
18 or shipbuilding industry workers, and

19 “(ii) the individual was not hired to
20 replace an employee who was involuntarily
21 separated from employment by the em-
22 ployer without cause.”

23 (d) CREDIT FOR HIRING LONG-TERM UNEMPLOYED
24 DEFENSE OR SHIPBUILDING INDUSTRY WORKERS MADE
25 PERMANENT.—Paragraph (4) of section 51(c) of such

1 Code is amended by adding at the end thereof the follow-
2 ing new sentence: “The preceding sentence shall not apply
3 to wages paid or incurred to any long-term unemployed
4 defense or shipbuilding industry worker (as defined in sub-
5 section (d)(17)).”

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to individuals hired on and after
8 the date of the enactment of this Act.

9 **SEC. 2. TECHNOLOGY TRANSFER TAX CREDIT.**

10 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-
11 ternal Revenue Code of 1986 (relating to amount of in-
12 vestment credit) is amended by striking “and” at the end
13 of paragraph (2), by striking the period at the end of para-
14 graph (3) and inserting “, and”, and by adding at the
15 end thereof the following new paragraph:

16 “(4) in the case of an eligible taxpayer (as de-
17 fined in section 48(c)), the nondefense production
18 and manufacturing equipment credit.”

19 (b) AMOUNT OF CREDIT.—Section 48 of such Code
20 is amended by adding at the end thereof the following new
21 subsection:

22 “(c) NONDEFENSE PRODUCTION AND MANUFACTUR-
23 ING EQUIPMENT CREDIT.—

24 “(1) IN GENERAL.—For purposes of section 46,
25 in the case of an eligible taxpayer, the nondefense

1 production and manufacturing equipment credit for
2 any taxable year is an amount equal to 10 percent
3 of the qualified investment for such taxable year.

4 “(2) QUALIFIED INVESTMENT.—

5 “(A) IN GENERAL.—For purposes of para-
6 graph (1), the qualified investment for any tax-
7 able year is the aggregate of—

8 “(i) the applicable percentage of the
9 basis of each new qualified nondefense pro-
10 duction and manufacturing equipment
11 property placed in service by the taxpayer
12 during such taxable year, plus

13 “(ii) the applicable percentage of the
14 cost of each used qualified nondefense pro-
15 duction and manufacturing equipment
16 property placed in service by the taxpayer
17 during such taxable year.

18 “(B) APPLICABLE PERCENTAGE.—For
19 purposes of subparagraph (A), the applicable
20 percentage for any property shall be determined
21 under paragraphs (2) and (7) of section 46(c)
22 (as in effect on the day before the date of the
23 enactment of the Revenue Reconciliation Act of
24 1990).

1 “(C) CERTAIN RULES MADE APPLICA-
2 BLE.—The provisions of subsections (b) and (c)
3 of section 48 (as in effect on the day before the
4 date of the enactment of the Revenue Reconcili-
5 ation Act of 1990) shall apply for purposes of
6 this paragraph.

7 “(3) QUALIFIED NONDEFENSE PRODUCTION
8 AND MANUFACTURING EQUIPMENT PROPERTY.—For
9 purposes of this subsection, the term ‘qualified
10 nondefense production and manufacturing equip-
11 ment property’ means any property—

12 “(A) which is used as an integral part of
13 the manufacture or production of nondefense
14 tangible personal property,

15 “(B) which is tangible property to which
16 section 168 applies, and

17 “(C) which is section 1245 property (as
18 defined in section 1245(a)(3)).

19 “(4) ELIGIBLE TAXPAYER.—

20 “(A) IN GENERAL.—A taxpayer is an eligi-
21 ble taxpayer for purposes of this subsection if
22 more than 50 percent of the gross revenues of
23 such taxpayer for the taxable year are attrib-
24 utable to defense contracts.

1 “(B) DEFENSE CONTRACT.—For purposes
2 of this paragraph, the term ‘defense contract’
3 means any contract or subcontract entered into
4 between the taxpayer and a defense agency to
5 provide material or defense related operations.

6 “(C) DEFENSE AGENCY.—For purposes of
7 this paragraph, the term ‘defense agency’
8 means the Department of Defense, the nuclear
9 weapons division of the Department of Energy,
10 the National Aeronautics and Space Adminis-
11 tration, the Coast Guard, and any other agency
12 of the Government to the extent such agency
13 conducts military or other defense related
14 operations.

15 “(5) COORDINATION WITH OTHER CREDITS.—
16 This subsection shall not apply to any property to
17 which the energy credit or rehabilitation credit
18 would apply unless the taxpayer elects to waive the
19 application of such credit to such property.

20 “(6) CERTAIN PROGRESS EXPENDITURE RULES
21 MADE APPLICABLE.—Rules similar to rules of sub-
22 section (c)(4) and (d) of section 46 (as in effect on
23 the day before the date of the enactment of the Rev-
24 enue Reconciliation Act of 1990) shall apply for pur-
25 poses of this subsection.”

1 (c) TECHNICAL AMENDMENTS.—

2 (1) Clause (ii) of section 49(a)(1)(C) of such
3 Code is amended by inserting “or qualified
4 nondefense production and manufacturing equip-
5 ment property” after “energy property”.

6 (2) Subparagraph (E) of section 50(a)(2) of
7 such Code is amended by inserting “or 48(c)(4)” be-
8 fore the period at the end thereof.

9 (3) Paragraph (5) of section 50(a) of such Code
10 is amended by adding at the end thereof the follow-
11 ing new subparagraph.

12 “(D) SPECIAL RULES FOR CERTAIN PROP-
13 ERTY.—In the case of any qualified nondefense
14 production and manufacturing equipment prop-
15 erty which is 3-year property (within the mean-
16 ing of section 168(e))—

17 “(i) the percentage set forth in clause
18 (ii) of the table contained in paragraph
19 (1)(B) shall be 66 percent,

20 “(ii) the percentage set forth in clause
21 (iii) of such table shall be 33 percent, and

22 “(iii) clauses (iv) and (v) of such table
23 shall not apply.”

24 (4)(A) The section heading for section 48 of
25 such Code is amended to read as follows:

1 **“SEC. 48. OTHER CREDITS.”**

2 (B) The table of sections for subpart E of part
3 IV of subchapter A of chapter 1 is amended by
4 striking the item relating to section 48 and inserting
5 the following:

“Sec. 48. Other credits.”

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to periods after December 31,
8 1992, under rules similar to the rules of section 48(m)
9 of the Internal Revenue Code of 1986 (as in effect on the
10 day before the date of the enactment of the Revenue Rec-
11 onciliation Act of 1990).

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